

CONVERSION PLAN

I. BACKGROUND

Huntington Common is a retirement community in Kennebunk, Maine, consisting of a residential component containing 82 independent living units and a Commons Building and a health care center containing 72 assisted living units. Huntington Common provides recreational, social, and cultural activities for its residents, as well as dining and healthcare services. It is owned by Autumn Health Services of Kennebunk, Inc., a Maine non-profit corporation ("Autumn I"). Adjacent to Huntington Common is a 7.5 acre tract on which are located 13 duplexes containing 26 residential cottages that are rented to people who desire independent living within a retirement community, known as "The River Cottages at Huntington Common." The River Cottages and associated land are owned by Autumn Health Services of Kennebunk II, Inc. ("Autumn II"), a Maine nonprofit corporation. The facilities operated by Autumn I and the cottages owned by Autumn II function as a single integrated retirement community, and Autumn I and Autumn II (collectively, "Autumn Health") have identical boards of directors and management.

Huntington Common originally was developed by for-profit interests in 1989. In 1997, Autumn I was created and purchased the Commons building and the original independent living apartments. Also in 1997, Autumn I developed additional independent living units, Bradford on the Common (assisted living), and Bradford Court (Alzheimers/dementia). The acquisition and development of these facilities was financed with \$29,815,000 of 501(c)(3) bonds issued by the Finance Authority of Maine.

Autumn II was created in 1999 to develop the River Cottages. Autumn II financed the acquisition of the cottage land and the development of the cottages with \$4,950,000 of tax-exempt and taxable bonds issued by the town of Kennebunk.

During most of its history, the Autumn Health community was managed by Rollins Management, Inc., a local management company owned by Doug Stockbridge and Sam Checovich, the original developers of the community. In December 2003, Brookdale Living Communities entered into a co-management arrangement with Rollins Management pursuant to which both companies provide management services.

Both Autumn I and Autumn II are tax-exempt organizations described in section 501(c)(3) of the Internal Revenue Code, and "public benefit corporations" under section 1406 of 13-B M.R.S.A. The basis for each corporation's charitable status is that it engages in activities designed to meet the housing, healthcare, and other needs of the elderly in its community.

II. REASONS FOR CONVERSION

The 1997 Autumn I bonds have a currently outstanding principal amount of approximately \$28,040,000; the coupons on these bonds are 7.375%, 7.5%, and 9.25%.

Various events of default have occurred for these bonds; they are currently in payment default and the debt service reserve funds (originally \$2,981,500) have been fully depleted.

The 1999 Autumn II bonds have a currently outstanding principal amount of approximately \$4,510,000; the coupons on these bonds are 7.0% and 9.25%. The payment status for the 1999 Autumn II bonds is current.

In addition, there is approximately \$3 million in subordinated, unsecured debt.

After the initial acquisition of the Huntington Common facilities in 1997, it became apparent that income from operations could not adequately support the bond debt. The community has been successfully operated, maintaining a relatively high occupancy rate (generally over 85%) and high degree of quality service and customer satisfaction.

After discussions with the bondholders regarding options to address the financial problems at Autumn Health and a series of operating agreements, in December of 2003 the first of a series of agreements to address the financial issues at the Huntington Common facilities was reached between Autumn Health and the bondholders. Those agreements permitted Autumn Health to use reserves and to employ an alternate flow of funds by which Autumn Health's operational expenses were paid prior to the debt service on the bonds.

The most recent workout arrangement was memorialized in a Memorandum of Understanding dated May 28, 2004, under which bondholders agreed to forebear temporarily from exercising default remedies and make cash that would otherwise be used to pay debt service available for the community's operating and capital needs. The Memorandum of Understanding originally was to expire on September 1, 2004, but was extended until June 1, 2005. Autumn Health continues to operate under the Memorandum of Understanding.

In May of 2005, Saybrook Tax-Exempt Investors, LLC ("Saybrook"), in its capacity as General Partner of various limited partnerships that comprise the Saybrook Tax-Exempt Opportunity Fund II, holder of a majority of the Autumn Health bonds, proposed to Autumn Health's Board of Directors that it consider selling its assets in order to cure the defaults and strengthen the long-term viability of the Huntington Common Community. In the absence of an adequate long-term solution, the bondholders declined to extend further the Memorandum of Understanding and demanded that Autumn Health find a way to cure the existing defaults or face foreclosure.

III. CONSIDERATION OF TRANSACTION / SELECTION OF BUYER

In response to the bondholders' foreclosure threat, Autumn Health's Board of Directors hired a consultant to help it investigate alternatives and formulate a solution.

In June 2005, the Board invited three consultants to speak to it regarding available options. Each of these consultants was asked to describe his firm's services and to speak to (1) the various options available to Autumn Health and whether the consultant agreed

that with the bondholders' view that a sale of the facility presented the best option; and (2) if a sale were the best option, what the Board could expect in terms of price and quality of purchasers. Each consultant addressed the proposed process for evaluating the various options. After all three consultants made their presentations, the Board chose Ziegler Capital Markets Group ("Ziegler") primarily due to Ziegler's extensive experience with nonprofit clients and its familiarity with nonprofit bond financing. The Board determined that Ziegler would be best able to investigate refinancing and joint venture opportunities with other nonprofits, and also would be well-qualified to market the property in the event a sale proved the best option.

Autumn Health then engaged Ziegler for a two-part process: (1) to provide an analysis of options for refinancing, a joint venture with another nonprofit, or sale of the facilities; and (2) execution of the adopted strategy. Ziegler then prepared a thorough and lengthy written report analyzing the various options. The report noted that refinancing the bonds likely would not prove a viable option, due to underwriting criteria requiring debt service and operating reserves; in order to establish reserves sufficient to make the new bonds marketable, the principal amount that could be borrowed would be reduced below the amount necessary to retire the existing bonds. The report also noted that the default status would negatively affect the available terms as well.

After consideration of Ziegler's presentation, in July 2005 the Board voted to engage Ziegler to proceed simultaneously (1) to offer Autumn Health's facilities for sale to an acquirer and (2) to seek a joint venture merger with a nonprofit organization, and to seek expressions of interest from prospective purchasers / joint venturers.

Ziegler also was authorized to share its prospects list with bondholders and to seek additions to the list of organizations to receive the placement memorandum. Ziegler then prepared a placement memorandum, contacted approximately 142 potential purchasers / joint venturers, including 41 nonprofit organizations, and distributed the placement memorandum to approximately 53 companies.

Of these parties, 19 responded with offers. Entities submitting letters of intent may be categorized as follows: two were nonprofit entities, two were public companies, four were Real Estate Investment Trusts (REITS), and 11 were for-profit companies. The purchase price offered ranged from approximately \$13 million to approximately \$39 million.

The two offers from nonprofit entities were in the \$13-21 million range. Like Autumn Health, nonprofit entities cannot sell equity interests, and therefore can acquire capital only through borrowing; for this reason the offers from nonprofit entities were comparable to the refinancing option, and equally unworkable.

Next the Board met with Ziegler representatives and determined to pursue discussions with the most promising six of the entities submitting offers. Each of these six prospective acquirers was offered a tour of the facilities and an interview with the Board. The Board developed a set of 17 questions (attached as Exhibit 1) to ask prospective acquirers and a rating system to compare them. In addition to purchase price, the Board

endeavored to ascertain the strength, experience, quality assurance, and viability of each potential acquirer.

After this series of meetings, the Board met on September 26, 2005, to review the information it had obtained. The Directors discussed their impressions of the meetings with each of the six potential acquirers and their impressions of the qualities that each would bring to the operation of Autumn Health's facilities and to the Kennebunk community in general. The Board also considered the economic strength of each of the prospective acquirers and the amount of the proposed purchase price offered by each, having been advised of its additional duties to Autumn Health's creditors and to maximize any proceeds that could be retained for charitable purposes. At the conclusion of this discussion, the Board decided to discuss with four potential acquirers proposed terms of sale by inviting "mark up" of a proposed purchase and sale agreement.

Based on its review of the "mark up" of the proposed purchase and sale agreement, the purchase price offered, and the evaluation and due diligence review of the quality of services that likely would be provided upon acquisition, the Board selected Sunrise Kennebunk ME Senior Living, LLC, (the "Purchaser") as purchaser of its assets.

IV. PROPOSED TRANSACTION

A. Background -- Sunrise

Sunrise Kennebunk ME Senior Living, LLC, is a newly-created entity affiliated with Sunrise Senior Living, Inc. ("Sunrise"), a company that is publicly traded on the New York Stock Exchange. Sunrise has owned and operated senior living communities for over twenty years, both in the United States and abroad. Sunrise currently operates more than 420 senior living communities in 37 states, the District of Columbia, Canada, the United Kingdom, and Germany, with a combined resident capacity of more than 52,000. Sunrise employs over 38,000 team members dedicated to serving seniors. More information on Sunrise's operations and history can be found on its website, www.SunriseSeniorLiving.com.

B. Terms of Sale

The purchase price for the sale of Autumn Health's assets is \$38,775,000, allocated \$29,347,208 to Autumn I and \$9,427,792 to Autumn II. A true copy of the Purchase Agreement is attached as Attachment 1.